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ACCOUNTING FOR SMALL AND MEDIUM ENTERPRISES (SMEs)

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ABSTRACT

Small and Medium Enterprises (SMEs) have important role in the development of Indonesian economics. In general, SMEs face many weaknesses in accounting implementation caused by several factors. This research aimed to analyse accounting application on SMEs in Magelang, Central Java, Indonesia with obstacles they face.

Data taken in this research were from 46 SMEs using convenience sampling method. Data were gathered through interview and questionnaire. The analysis technique is descriptive qualitative analysis technique.

Results show that 69.56% of SMEs had done recording, but only 34.78% of them made financial statements. Transactions recorded include sales transactions (69.57%), purchase transactions (65.22%), cash inflows and cash outflows (91.30%), inventories (63.04%), salary (56.52%), and other operational expenses (50.00%). Reports which were made by the managers were sales reports (45.65%), purchase reports (30.43%), income statements (52.17%), statement of owner's equity (17.39%), and balance sheet (28.26%).

The obstacles which hindered accounting application in SMEs were the education factor and the lack of understanding about accounting and its importance. Therefore, it is better to create a simple accounting information system for SMEs. The government should cooperate with high education institutions to improve the comprehension of the SMEs about accounting application in managing their business.

Key words: Accounting, Small and Medium Enterprises (SMEs)